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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, TO EXTEND
ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY IN THE
CITY OF CASA GRANDE AND IN PINAL
COUNTY, ARIZONA.

Docket No. W-01445A-06-0199

IN THE MATTER OF THE APPLICATION
OF PALO VERDE UTILITIES COMPANY
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

Docket No. SW-03575A-05-0926

IN THE MATTER OF THE APPLICATION
OF SANTA CRUZ WATER COMPANY FOR
AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

Docket No. W-03576A-05-0926

**NOTICE OF FILING EXHIBIT A TO
ARIZONA WATER COMPANY'S RESPONSE TO GLOBAL'S MOTION TO
VACATE CONSOLIDATION AND ALTERNATIVE MOTION TO SEVER**

Arizona Water Company gives notice that it is filing Exhibit A to its Response in Opposition to the Motion to Vacate Consolidation and Alternative Motion to Sever filed by Santa Cruz Water Company, LLC, Palo Verde Utilities Company, LLC, Global Water-Santa Cruz Water Company

1 and Global Water-Palo Verde Utilities Company filed on July 17, 2006, as referenced in footnote 2
2 of that document at p. 4.

3 RESPECTFULLY SUBMITTED this 20th day of July, 2006.

4 BRYAN CAVE LLP

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6
7 By 

8 Steven A. Hirsch, #006360

9 Rodney W. Ott, #016686

10 Two N. Central Avenue, Suite 2200

11 Phoenix, AZ 85004-4406

12 Attorneys for Arizona Water Company

13 **ORIGINAL** and 17 **COPIES** of the foregoing
14 filed this 20th day of July, 2006 with:

15 Docket Control Division
16 Arizona Corporation Commission
17 1200 W. Washington
18 Phoenix, AZ 85007

19 **COPY** of the foregoing hand-delivered
20 this 20th day of July, 2006 to:

21 Lyn A. Farmer, Esq.
22 Chief Administrative Law Judge
23 Hearing Division
24 Arizona Corporation Commission
25 1200 W. Washington
26 Phoenix, AZ 85007

27 Yvette B. Kinsey, Esq.
28 Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

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1 Christopher Kempley, Esq.
2 Chief Counsel, Legal Division
3 Arizona Corporation Commission
4 1200 W. Washington
Phoenix, AZ 85007

5 Ernest G. Johnson
6 Director, Utilities Division
7 Arizona Corporation Commission
8 1200 W. Washington
Phoenix, AZ 85007

9 **COPY** of the foregoing mailed
10 this 20th day of July, 2006 to:

11 Michael W. Patten, Esq.
12 Roshka DeWulf & Patten, PLC
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Attorneys for Applicants
14 Santa Cruz Water Company, L.L.C.
15 and Palo Verde Utilities Company, L.L.C.

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Exhibit A

To

**Arizona Water Company's Response to Global's
Motion to Vacate Consolidation and Alternative
Motion to Sever**

Filed July 17, 2006

COOPERATIVE SERVICE AGREEMENT

THIS AGREEMENT is made and entered into as of the 18th day of November, 2002 by and between ARIZONA WATER COMPANY, an Arizona corporation, (the "Company"), and Southwest Water Company, a Delaware corporation, ("Southwest").

RECITALS

A. The Company is a public service corporation that owns and operates water systems and provides water service in various cities, towns, and communities located in eight counties in Arizona under and subject to the jurisdiction of the Arizona Corporation Commission (the "Commission").

B. Southwest owns and operates sewer/wastewater treatment facilities and provides sewer/wastewater service in various cities, towns and communities within the U.S. These facilities are operated under and subject to the jurisdiction of various state and local regulatory agencies.

C. The parties are interested in a cooperative arrangement whereby: (1) the Company may invite Southwest to provide all sewer/wastewater service to developments to which the Company intends to provide water service in its existing service areas or in additions to its service areas; and (2) Southwest may invite the Company to provide all water service to developments to which Southwest intends to provide sewer/wastewater service in its existing service areas or in additions to its service areas.

In consideration of the mutual agreements, covenants, promises, representations and understandings contained in this Agreement and other good and valuable consideration, the parties hereto have entered into the following Agreement:

1. Cooperation The Company and Southwest agree to cooperate as follows:

a. The Company from time to time plans to provide water service to developments within its existing service areas and to additional service areas and may invite Southwest to participate in providing sewer/wastewater service to such developments.

b. Southwest from time to time plans to provide sewer/wastewater service to developments within its existing service areas and to additional service areas and may invite the Company to participate in providing water service to such developments.

c. The parties will notify each other of the invitations to participate in providing service to developments by sending a letter in the form attached as Exhibit A hereto. A party may accept or decline to participate by checking the appropriate box and returning the copy of the letter to the other party within ten (10) days of receipt of the letter.

d. The parties agree to cooperate fully in connection with the planning for their respective services to such developments, including, if necessary, to support each other's efforts to obtain Commission approval for such services and, if necessary, such additional service areas.

2. Covenant not to Compete.

a. The Company will not offer or provide any type of sewer/wastewater service, including, but not limited to, the collection or treatment of wastewater within any of Southwest's service areas or within any area to which Southwest invites the Company to provide water service; and the Company will not solicit or assist any other person or entity to provide sewer/wastewater service in such areas.

b. Southwest will not offer or provide, sell or deliver any type of water service, including, but not limited to, any effluent or reclaimed water service of any type (except wholesale service to the Company) within any of the Company's service areas or within any area which the Company invites Southwest to provide sewer/wastewater service; and Southwest will not solicit or assist any other person or entity to provide water service in such areas.

c. The limitations in paragraphs 2.a. and 2.b., above, shall not apply for any development in which a party has undertaken steps to provide service to such development prior to the date of the invitation to participate.

3. Non-Disclosure.

3.1 a. Each party agrees that it shall not disclose any of the information disclosed, shared, provided by, or obtained from the other party, because any such disclosure will prejudice such other party's ability to successfully conduct its business; and such disclosure will cause irreparable harm. Exceptions to the foregoing include information which:

- at the time of disclosure was readily available to the public;
- becomes readily available to the public, other than through a breach of this Agreement;
- either party can establish was in its possession prior to the date of disclosure of such information; or
- is required to be disclosed in accordance with the order or decree of a court of competent jurisdiction or by applicable law or regulation, provided that both parties agree to give each other adequate advance notice prior to disclosure in order that the affected party may seek a protective order or other appropriate relief.

b. Each party further agrees that the joint or cooperative disclosure of such information in connection with the developments referred to in paragraph 1, above, or with the written consent of the parties, will not violate the terms of this paragraph.

4. Time is of the Essence. The Company and Southwest agree that time is of the essence and that each will diligently perform its obligations hereunder in a timely fashion in accordance with the provisions of this Agreement.

5. Changes or Modifications. The parties hereto may change or modify this Agreement only upon written consent of the parties hereto.

6. Notice Provisions. Written notices to any party to this Agreement concerning this Agreement shall be sent by certified mail or by courier (such as for example by Federal Express), or by hand-delivery addressed as follows:

To the Company:

Arizona Water Company
3805 North Black Canyon Highway
Phoenix, Arizona 85015-5351
Post Office Box 29006
Phoenix, Arizona 85038-9006
Attention: President

To Southwest:

Southwest Water Company
225 North Barranca Avenue
Suite 200
West Covina, California 91791-1605
Attention: Maurice W. Gallarda, P.E.

or to such other address or addresses as either party may designate by written notice to the other party. Notices shall be deemed given, received and effective on the date of delivery, if hand-delivered or delivered by courier, or two business days after deposit in the U.S. Mail, postage prepaid, if sent by certified mail.

7. Execution in Counterparts. This Agreement may be executed in any number of counterparts and each executed counterpart shall have the same force and effect as an original instrument.

8. Succession. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto. Any such assignment requires the non-assigning party's prior written approval, which shall not be unreasonably withheld. As a condition precedent to the non-assigning party's approval of any assignment, the assignee must be acceptable to the non-assigning party, and satisfy the non-assigning party of the assignee's ability to fully perform hereunder and the assignee shall assume any further obligations of the

assigning party hereunder and, upon the non-assigning party's written approval the assigning party shall be released from any further obligation hereunder.

9. Complete Agreement. This instrument contains the entire agreement between the parties with respect to the subject matter contained herein and no amendment or modification shall be binding unless made in the manner provided for in writing and signed by duly authorized representatives of the parties hereto.

10. Headings. Headings on each paragraph or subparagraph are merely for convenience and shall under no circumstances be used to interpret or construe this Agreement.

11. Duration. This Agreement shall remain in effect until terminated by the mutual agreement of the parties hereto.

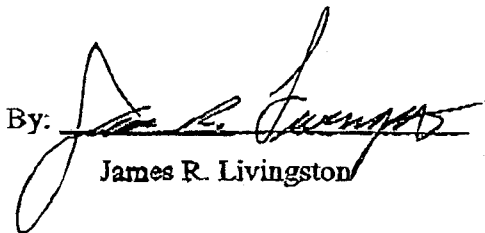
12. Attorney's Fees. In the event any claim, controversy, or legal action arises out of this Agreement, the prevailing party shall be entitled to recover from the other party in such action all costs, expenses and fees incurred therein by said prevailing party (including such attorney's fees as shall be fixed by the court).

13. Further Instruments. The Company and Southwest agree that they shall execute any further instruments and perform any further acts, which are or may become reasonably necessary to carry out the terms of this Agreement.

14. Waiver. No waiver hereunder, expressed or implied, shall imply any other waiver, at the same or subsequent time, whether of the same obligation or of any other obligation. No waiver hereunder shall be deemed effective unless expressly set forth in writing.

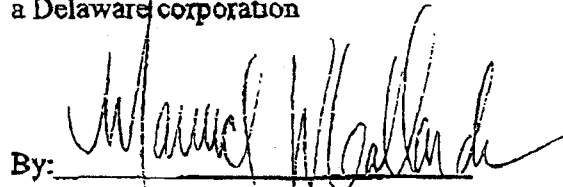
IN WITNESS WHEREOF, each of the parties hereto has caused this instrument to be executed by their respective officers theretofore duly authorized as of the date first written above.

ARIZONA WATER COMPANY,
an Arizona corporation

By: 
James R. Livingston

Its: President

SOUTHWEST WATER COMPANY,
a Delaware corporation

By: 
Maurice W. Gallarda

Its: Vice President, New Business

[sender's letterhead]

[name and address of recipient]

Subject: Notice of Invitation to Participate
in Providing Service to a Proposed Development

Gentlemen:

In accordance with that certain Cooperative Service Agreement dated _____
2002, [Arizona Water Company] [_____] by this
letter notifies you of its invitation for you to participate in providing [sewer/wastewater service]
[water service] to the following proposed development:

[describe development and its location]

Please indicate whether you accept or decline this invitation to participate in the foregoing development by checking the appropriate box below and signing and returning the copy of this letter. If you accept this invitation to participate in the development, we should meet and discuss how best for our two entities to cooperate in providing our respective services to the development. We will also need to discuss our plans with the developer. If you accept the invitation, we will call you to schedule a meeting to discuss this further in more detail.

Very truly yours,

[Name and Title]

RESPONSE TO INVITATION

_____ I accept the foregoing invitation to participate
in providing service to the above-described development.

_____ I decline the foregoing invitation to participate
in providing service to the above-described development.

[ARIZONA WATER COMPANY]

or

[_____]

By: _____

Name: _____

Title: _____

Date: _____